

## Message Text

CONFIDENTIAL

PAGE 01 SANTIA 04514 261815Z

12

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 CIAE-00 DODE-00

INR-07 NSAE-00 PA-01 USIA-06 PRS-01 SP-02 OMB-01 L-03

H-02 XMB-02 /043 W

----- 066309

R 261715Z JUN 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 3729

C O N F I D E N T I A L SANTIAGO 4514

EO 11652: GDS

TAGS: EINV, BDIS, CI

SUBJECT: GENERAL TIRE/INSA CASE

REF: A. SANTIAGO 2688; B. SANTIAGO 3930

1. SUMMARY. ACCORDING TO NEWLY APPOINTED MANAGER, GENERAL TIRE AND GOC HAVE AGREED ON FUTURE INSA OPERATIONS. IF GOC CAN NOW REPATRIATE CONTENTS OF FRUCTAL (LIECHTENSTEIN) ACCOUNT, IT WILL DROP FURTHER INVESTIGATION OF INSA'S PAST PRICING OPERATIONS. FRUCTAL'S PART-OWNER-, SCHIESS, HOWEVER, STILL MAY DECIDE TO PUBLICIZE INFORMATION WHICH SCHIESS SAYS WILL MAKE CASE SCANDALOUS. END SUMMARY.

2. NEWLY APPOINTED GENERAL MANAGER OF GENERAL INSA, EDWARD SHERIDAN, VISITED EMBASSY TO BRING USG UP TO DATE ON SUBJECT CASE. SHERIDAN SAID THAT GOC, REPRESENTED BY CORFO, AND GENERAL TIRE (GT) HAVE REACHED AGREEMENT THAT GENERAL TIRE WILL SIGN TEN-YEAR MANAGEMENT CONTRACT WITH INSA WITH CORFO PLEDGE THAT GT WILL BE GIVEN COMPLETE AUTHORITY OVER INSA OPERATIONS. GT WILL IMMEDIATELY SEEK TO POSTPONE SEVERAL BANKRUPTCY PROCEEDINGS INITIATED BY CHILEAN CREDITORS AS WELL AS FIND A LONG-TERM U.S. BANK LOAN TO COVER INSA'S \$17 MILLION DEBT. (IN MEANTIME CURRENT REDUCTION IN DEMAND HAS FORCED INSA TO SHUT DOWN FOR 90 DAYS ALTHOUGH WORKERS CONTINUE TO BE PAID.)

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 SANTIA 04514 261815Z

3. REGARDING SCHIESS/SWIRES ARRANGEMENT AND FRUCTAL (LIECHT-

ENSTEIN) ACCOUNT, SHERIDAN SAID THAT SWIRES HD TRANSFERRED HIS RIGHTS IN FRUCTAL ACCOUNT TO GENERAL TIRE AND THAT GENERAL TIRE HAD IN TURN TRANSFERRED RIGHTS TO CORFO. CORFO WILL NOW TRY TO REPATRIATE CONTENTS OF ACCOUNT AND, IF SUCCESSFUL, WILL PROVIDE THEM TO INSA IN FORM OF LONG-TERM LOAN. SHERIDAN SAID CORFO HAS LET GENERAL TIRE AND SCHIESS UNDERSTAND THAT GOC WILL DROP INVESTIGATION INTO INSA'S PAST PRICING POLICIES

WHEN FRUCTAL ACCOUNT REPATRIATED.

4. SCHIESS' HOLDINGS IN INSA STILL ENTITLE HIM TO REPRESENTATION ON INSA BOARD (IMPOTENT, IF CORFO VOTES WITH GENERAL TIRE MANAGEMENT AS IT HAS AGREED). GENERAL TIRE HAS TOLD SCHIESS THAT SCHIESS' COMPANY WILL NO LONGER BE CONTRACTED AS INTERNATIONAL PURCHASER FOR INSA RAW MATERIALS. SHERIDAN SAID SCHIESS NOW THREATENS THAT, UNLESS HE CONTINUES AS INSA'S INTERNATIONAL PURCHASE, HE WILL PUBLICIZE FURTHER INFORMATION ABOUT HIS ARRANGEMENT WITH SWIRES THAT WOULD TURN CASE INTO A SCANDAL (SHERIDAN SAID, "WE DON'T KNOW WHAT SCHIESS KNOWS OR WHAT EVIDENCE HE MAY HAVE.")

5. DESPITE MANIFOLD OPERATIONAL AND OTHER PROBLEMS, SHERIDAN OPTIMISTIC THINGS WILL GET BETTER. AS FAR AS SCHIESS IS CONCERNED, SHERIDAN THINKS SCHIESS' CONSIDERABLE HOLDINGS IN INSA AND OTHER CHILEAN PROPERTIES WILL GIVE HIM GREAT INCENTIVE TO TURN OVER FRUCTAL ACCOUNT QUIETLY IN RETURN FOR GOC PROMISE

6. COMMENT: DESPITE SHERIDAN'S PROFESSED OPTIMISM, PROBLEMS HE FACES ARE STILL GREAT, AND CHANCES OF GENERAL TIRE FAILURE, EITHER IN INSA OPERATIONS OR IN SCHIESS CASE, STILL LOOK UNCOMFORTABLY HIGH.

POPPER

TO ASK NO FURTHER QUESTIONS.

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BUSINESS FIRMS, INVESTIGATIONS, CONTRACTS, DEBT REPAYMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975SANTIA04514  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750222-0924  
**From:** SANTIAGO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750613/aaaaalld.tel  
**Line Count:** 95  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 SANTIAGO 2688, 75 SANTIAGO 3930  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 05 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <05 SEP 2003 by CunninFX>; APPROVED <19 NOV 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GENERAL TIRE/INSA CASE  
**TAGS:** EINV, BDIS, CI, GENERAL TIRE, INSA, CORFO, (SHERIDAN, EDWARD)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006